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**FISCAL IMPACT STATEMENT**

**LS 6975**

**BILL NUMBER:** HB 1288

**NOTE PREPARED:** Jan 6, 2011

**BILL AMENDED:**

**SUBJECT:** Maximum property tax levy calculations.

**FIRST AUTHOR:** Rep. Smith M

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** This bill provides that a civil taxing unit's maximum permissible property tax levy may not be reduced if the unit does not use its entire maximum levy authority in the preceding year.

**Effective Date:** July 1, 2011.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Prior to 2004, civil taxing unit maximum permissible levies were calculated each year by multiplying the previous year's maximum levy by the six-year average increase in Indiana nonfarm personal income (limited to 6% with some exceptions). A taxing unit that did not use all of its maximum levy in a year never lost the unused amount from its base.

Under SEA 1 - 2004, the calculation for the maximum levies was changed so that the new maximum levy was equal to the previous year's actual levy rather than the maximum levy. This change removed the previously unused portion of maximum levies from the base and eliminated any "banking" of unused levy authority in the future.

Under SEA 260 - 2006, the old maximum levy calculation and the "banking" of unused levy authority were partially restored beginning with taxes payable in 2007. One-half of the previous year's unused levy authority

is available for use in the current year. Maximum levy authority that was lost in a year prior to 2007 was not restored.

Beginning with taxes payable in 2012 under this bill, the maximum levy calculation would revert to the pre-2004 calculation method. This means that any unused levy authority in a year would be available in all future years.

For taxing units that need to levy their entire maximum levy amount each year, this provision would have no effect. For other taxing units, this provision could have one of two effects, depending on the taxing unit. First, some units may currently levy their maximum amount each year even if it is not needed so that the unit does not lose one half of the unused amount. For these units, this provision could result in lower levies in years when the unit does not need the entire levy. Second, some units levy only what they need to levy, regardless of the fact that one half of the unused levy authority is lost each year. For these units, this provision could result in higher levies in years when the unit decides to take advantage of their unused authority.

In all cases, if a unit elects to use previously unused levy authority in a specific year, then taxpayers would be faced with a larger than normal increase in the tax rate in that year. However, if the unit has unused levy authority, the unit's tax rate growth might have been nominal up until the year that the unit uses the banked levy authority under this provision.

**State Agencies Affected** Department of Local Government Finance.

**Local Agencies Affected:** All civil taxing units.

**Information Sources:**

**Fiscal Analyst:** Bob Sigalow, 317-232-9859.